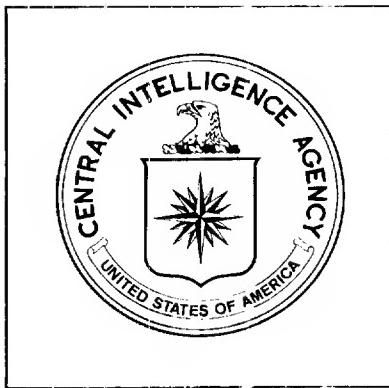


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STAFF NOTES:

Latin American Trends

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September 17, 1975
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LATIN AMERICAN TRENDS

This publication is prepared for regional specialists in the Washington community by the Western Hemisphere Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Argentina's New Economic Team

Economy Minister Antonio Cafiero, who has himself performed impressively during his first month in office, has chosen an unusually talented group of technocrats to be his advisers. The reliable financial weekly, Review of the River Plate, has judged that "this is as bright and varied a team as any that has managed the economy."

Perhaps the most striking of the appointees is Guido Di Tella, the secretary for economic planning and coordination. The scion of one of Argentina's wealthiest industrial families, Di Tella holds a doctorate in economics from the Massachusetts Institute of Technology, has taught economics at the University of Buenos Aires, and heads the Torcuato Di Tella Institute, a prestigious social-science research foundation.

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Leopoldo Tettamanti is another well known figure. He returns to the post of secretary for foreign trade, which he held under former minister Gelbard. Tettamanti is a career diplomat, and spent eight years as ambassador to the European Community. These ties may serve him well in attempting to persuade the Western European Nine to lift their year-old ban on Argentine beef.

The new head of Argentina's energy programs, Vice Admiral Pedro Iraolagoitia, is the former director of the National Atomic Energy Commission. This background will probably influence him to promote atomic fuel in preference to other sources of energy.

Argentina's economic problems are primarily political in origin and it remains to be seen if these technocrats, however well qualified professionally, have the necessary political talent and stamina to maneuver successfully. The Review of the River Plate concludes its appraisal on the worrisome note that "the trouble is that the economy nearly always does better when it is left alone, and the brighter the meddler, the worse the trouble, usually." (CONFIDENTIAL)

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Venezuela: Petroven Board Selected

President Perez has named nine men with impressive credentials to direct the operations of Petroleos de Venezuela (Petroven), the holding company that will administer the nationalized oil companies after January 1, 1976. The business orientation of the board members reflects Perez' own confidence and his assessment of the broad domestic political support he enjoys. Because of this it was apparently unnecessary to include leftists or extreme nationalists on the board.

The appointees, who are distinguished Venezuelans, were obviously chosen by President Perez with an eye toward the delicate negotiations now taking place with the oil companies regarding compensation and operating contracts. Solution of the latter issue would give Venezuela needed oil technology and continue its international marketing access. The new board (see accompanying table) blends the talents of oil experts with those of public administrators, financial pundits and specialists in international affairs and labor.

Many of the details of the structure and operations of the new holding company remain to be worked out. Nevertheless, plans call for Petroven to have initial assets of about \$2 billion. Future working capital, as provided in article seven of the nationalization law, will consist of ten percent of the operating companies' net monthly revenues from oil export sales. President Perez has instructed the Petroven board to formulate a plan to reorganize the 21 local operating companies to reduce their number, minimize duplication of effort, reduce expenses, and improve efficiency. The terms of an often-discussed plan call for the 19 foreign companies to be merged into five. The holdings of the four major foreign firms--Creole (Exxon), Mene Grande (Gulf), Shell and Mobil--would remain essentially intact, while the holdings of the 15 smaller firms would be consolidated into a fifth company.

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According to Petroven vice-president Julio Cesar Arreaza, a proposed plan involving Creole might serve as a prototype for the industry. Following an agreement on compensation with the government, a new company--Lagoven--would be formed and wholly owned by Creole. Lagoven would be presided over by Guillermo Rodriguez Eraso, a Venezuelan, currently executive vice-president of Creole. The majority of Creole's personnel would be transferred to Lagoven, as would its assets and concessions. On December 31, when the concessions formally expire, the Venezuelan government would purchase all of Lagoven's stock, giving the new owner, Petroven, the personnel, assets, and the expired concessions, without an interruption in operations.

During the interim period before the state enterprises are ready to take over operations, a nine-member supervisory commission under the ministry of mines and hydrocarbons will authorize, "fiscalize," and control all activities of concession holders in the government's behalf. Seven of the commission members were chosen by President Perez, including two from a labor list of candidates; the remaining two were selected by Perez from a list submitted by congress. (CONFIDENTIAL)

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PETROVEN

Board of Directors

President:

General Rafael Alfonzo Ravard

Well known former president of Venezuela Development Corporation. Given major credit for industrial development of the Guayana region.

Vice President:

Julio Cesar Arreaza

Former mines ministry official, since 1969 has been in private sector as director of various companies.

Full Time Members

Jose Domingo Casanova Mendoza

Former manager of Creole (EXXON's) operations in eastern Venezuela. Recently chosen as government "observer" of Sun Oil Company operations.

Edgar A. Leal

Former vice-president of National City Bank of Venezuela.

Part Time Members

Alirio A. Parra

Highly regarded economic consultant with oil companies, OPEC secretariat world bank and IDB as clients.

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Julio Sosa Rodriguez	Former president Caldera's personal representative in dealing with oil companies. Negotiated Venezuela's entry into Andean Pact.
Carlos Guillermo Rangel	Former president FEDECAMARAS businessmen's organization. Director of several banks and insurance companies.
Benito Raul Losado	Former president of Central Bank and Venezuelan governor of IMF and IBRD. Also well-known poet.
Manuel Penalver	Active in Accion Democratica's labor arm and founder of FEDEPETROL, the largest oil workers union. Also worked for some time with Creole.

Alternate Board Members

Jose Martrano Battisti, Luis Plaza Bruzual (former mines ministry executive), Gustavo Coronel (young Shell Oil executive), and Raul Henriquez Estrella.

Petroven Legal Advisor

Andres Aguilar

Former ambassador to the US and UN under the Social Christian government of Rafael Caldera.

Petroven Comptroller

Aquiles Marcano

Highly regarded public accountant with many "blue chip" clients.

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Cuba and the Nonaligned

Havana's intention to capitalize on its membership in the nonaligned movement is underscored by the formation in late June of a special party-government committee for nonaligned matters. The committee's establishment outside of, rather than within, the foreign ministry suggests that Foreign Minister Raul Roa's role in foreign relations may be declining.

Roa's immediate superior, Deputy Prime Minister Carlos Rafael Rodriguez, as the committee's secretary general, is its most powerful officer, although Roa, as committee president, is its titular head. In a bitter verbal battle over a policy matter at a recent committee meeting, Rodriguez reportedly overrode Roa's protests, criticized him for his "rigidity", and commented that he was present only because he held the post of foreign minister. Roa, acutely embarrassed before the other members of the committee, interpreted the incident as one more in a series of indications that his influence in foreign relations is declining, and expressed the fear that he might not be re-elected to the party's central committee at the party congress in December.

Roa's fears are probably well founded. He has been kept on in his position primarily because he is useful in international forums where the regime occasionally requires an aggressive, leather-lunged spokesman. Rodriguez, whose star has been on the rise for several years, is more inclined to the civil, rational approach and has probably already decided that the 68-year-old Roa has outlived his usefulness and must soon give way.

The foreign ministry has a majority on the nonaligned committee, but it is the party that reportedly has the real power and influence. This is a reflection

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of the institutionalization that has been under way in both government and party for about five years.

/ The party is more influential because it sets policy, and the government has become more an administrative apparatus for carrying out the party's policy decisions.

The committee has had several meetings since June. At one, held just prior to the Nonaligned Nations Conference in Lima in August, Rodriguez reportedly commented that Cuba's desire to be a leader among the non-aligned would henceforth be a cornerstone of Havana's foreign policy. The Cubans have apparently decided that international forums are important channels for achieving foreign policy goals; Havana therefore is likely to make increased use of its membership in the UN and in the incipient Latin American Economic System, as well as in the nonaligned movement. (SECRET/NO FOREIGN DISSEM/NO DISSEM ABROAD/BACKGROUND USE ONLY/ CONTROLLED DISSEM)



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Guyana: Just Call Me Comrade

2 Prime Minister Burnham's ruling People's National Congress party has taken another symbolic step toward socialism by authorizing use of the term "comrade" in the Guyanese parliament. In decreeing the change, the PNC leaders brushed aside opposition objections, emphasizing the "egalitarianism" and "brotherhood" inherent in the term and said it would be used proudly by government officials in parliament and elsewhere.

2 The government's actions will undoubtedly add to the suspicion, held by the country's majority East Indian population, of Burnham's often black-racist and socialist policies. East Indian concern has been increased by the prime minister's intention to make the controversial National Service scheme compulsory and to turn Guyana into a socialist state. According to a recent press report, leaders of the Muslim community are planning to meet with government representatives to discuss these concerns. They may also be seeking the support of the Anglican and Catholic communities, whose leaders are increasingly critical of the Burnham government. (CONFIDENTIAL)

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Bolivia: Campaign to Break Relations With Chile

#2, 6 Sensation-seeking Bolivian newsmen are advocating that the government sever its recently reestablished diplomatic relations with Chile.

1, 2, 3, 6 They have seized on the Chilean Government's publication of a recently amended internal security law. One article of the 1958 law makes it a crime for a Chilean citizen to agree to a foreign state's annexing any part of Chile's territory. Several newspaper commentators in La Paz have interpreted the law as meaning that Chilean officials currently discussing with their Bolivian counterparts the possibility of a Bolivian outlet to the sea are subject to prosecution. The Bolivian newsmen, citing the law as proof of Chile's insincerity in the talks, have called for a break in diplomatic relations. One radio commentator has even advocated that Bolivia use force to reclaim its lost territory.

4, 5, 8, 9 Chilean authorities, in an attempt to counteract what they view as exaggerated Bolivian press reports, have pointed out that the publication of the law was a routine matter and that the current bilateral negotiations are not affected. Bolivian Government officials were nevertheless embarrassed by the publication of the law and, while they have stated that talks on the outlet to the sea issue would continue, they have attempted to assuage at least the more moderate elements of the Bolivian press by demanding that Chile provide a written explanation of the controversial law and of its implications.

7 President Banzer has a large personal stake in maintaining diplomatic relations with Chile. He was responsible for reestablishing relations in February 1975--after a 13-year break--in hopes that the move would

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eventually pave the way for Bolivia's obtaining its long-coveted outlet to the sea. Banzer has promised that Bolivia will achieve its objective while he retains the presidency, which he hopes will be until 1980. He will consequently keep as much pressure on the Chileans as he can, but he is not likely to allow the current furor to derail the negotiations.

(CONFIDENTIAL)

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Cuba: Puerto Rico Solidarity Conference

The International Conference of Solidarity with Puerto Rican Independence, held in Havana from September 5 to 8, failed to live up to its advance billing, judging from its final declaration. Aside from the expected propaganda blast, the conference apparently achieved little of substance.

1 The final declaration made no mention of the formation of a permanent body to initiate and coordinate activities, although those in attendance urged the conference's preparatory committee and the various national sponsoring committees to work toward the goal of a second meeting. This is clear evidence that if Havana wants to continue the Puerto Rican campaign, it is going to have to bear most of the expense. The Iraqi delegation, which offered to contribute \$10,000 # 2 "for the cause of Puerto Rican independence," was the only participant reported to have volunteered to help foot the bill.

Conference spokesmen claim that 291 delegates and 34 observers from 79 countries and 18 international organizations attended the meeting, somewhat less than Cuban expectations of representatives from 120 countries and international organizations. Except for members of the Cuban and Puerto Rican delegations, which included Cuban Communist Party Central Committee members and the top level of the Puerto Rican Socialist Party, none of those attending seemed to include high-ranking or otherwise noted individuals. Several delegations apparently were hurriedly made up in response to the last minute efforts of a joint Cuban-World Peace Council team that visited Latin America and the Caribbean in July and August to round up support. Two representatives from Mexico's ruling party attended, but they went as

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5 observers, not delegates, and they arrived a day after the proceedings had started.

1 The participants decided to hold a second conference on Puerto Rican independence within three years. Havana will have considerable groundwork to do, however, if it is to avoid a repetition of the poor showing of the recent meeting in attracting concurrent moral support in other countries. Press coverage seemed half-hearted and demonstrations outside Cuba were rare. A small group of placard-carrying students showed up briefly at the US embassy in Panama on September 3, and one or two dozen Costa Rican students demonstrated in San Jose a day after the conference ended. Because of this lackluster support, the Cubans may center their future efforts to press the Puerto Rican issue in the UN and other international forums. They are also likely to depend primarily on their own resources, rather than those of front organizations abroad, to provide appropriate propaganda support. (CONFIDENTIAL/NO FOREIGN DISSEM)

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Venezuela: Foreign Capital Welcomed...but

An influential conservative business association has lent its support to administration efforts to regulate foreign capital.

In a major speech on August 26, Antonio Jose Diaz Martinez, president of the Venezuelan Federation of Chambers of Commerce (FEDECAMARAS), praised the contribution of foreign private capital to Venezuelan development. He emphasized that times have changed, however, and foreign investors must adjust to the new order developing in Latin America and the less developed countries. He said future investment must adjust not only to the requirements of "sovereign control" by the government but also to the priorities set by economic development plans. Martinez claimed that if investors accept these restrictions they can participate in the economic "take-off." This would involve opportunities to invest about \$21 billion in basic and strategic industries over the next several years.

As president of FEDECAMARAS, Diaz Martinez is the principal spokesman for the country's private sector. In past years the organization has played a highly influential and usually constructive role in reviewing and criticizing government policies--especially in defense of private enterprise. In September 1974, the group attacked the government's proposed terms for nationalizing the oil industry, calling them unnecessarily punitive and restrictive. (See September 11, 1974 Trends).

FEDECAMARAS has usually supported or at least taken a neutral stand on participation of foreign capital in the economy. Diaz Martinez's election as president last May was heralded as the beginning of a new era of reconciliation and cooperation with the government. He is

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reputed to have close ties with President Perez and his speech closely parallels the President's statements on the role of private foreign investment. Under Diaz Martinez, FEDECAMARAS appears to have concluded that its interests lie in supporting government efforts to restrict the role of foreign investment. Although he justifies this position on ideological grounds, the practical benefit for increased investment opportunities by local entrepreneurs is not overlooked.

Despite the political and economic advantages of FEDECAMARAS' support for strict regulation and control of foreign investment, it may boomerang in the end. Venezuela is governed by politicians with strong statist views. Controls on foreign investment could produce pressures and provide precedents for the application of similar measures to the domestic private sector. Although this attitude is so far confined largely to the extreme leftist parties, it may yet receive broader support and FEDECAMARAS may find that it has inadvertently given assistance to its traditional enemies.

(CONFIDENTIAL)

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Brazil: Security Forces Again Act With Impunity

#2,4
 Illegal detentions, torturing, and outright killing of political prisoners by the Brazilian armed forces are on the increase, but President Geisel, who has ordered an end to such abuses, has yet to take firm action.

2,3,4
 Although some individuals, including civil policemen, reportedly were summarily killed by military agents in the wave of arrests that followed the discovery earlier this year of a printing press used by the communists, the general public's reaction has been muted. Several major newspapers that initially discussed the matter openly have been pressured by censors to temper their remarks or avoid the subject altogether. Some publications have received anonymous warnings by telephone, a tactic that has caused them to wonder if the government is experimenting with a less traceable censorship technique or if right-wing security officials are acting on their own.

1,4
 So far the strongest protest has been made by Cardinal Arns, Archbishop of Sao Paulo, who has issued a call for general amnesty in his archdiocese. Privately, the cardinal has been even more critical and at one point during a recent discussion with US officials he implored them to embargo further trade with Brazil until the nation respects its international obligations regarding human rights.

Arns has criticized the military-dominated government in the past, but was optimistic about improved church-state relations at the time of Geisel's inauguration last year. Since then, however, the cardinal has become increasingly doubtful about the likelihood of Geisel's eliminating abuses against political prisoners. Although Arns is too influential to be

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silenced completely, military conservatives could renew the harassment tactics they used against him under the administration of President Medici.

In any case, the mounting counter-terrorism and Geisel's own recent stand against further political liberalization suggest that the security forces now have a free hand in investigating and dealing with leftist activities. (CONFIDENTIAL)



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